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**GUIDELINES  
FOR  
ORGANIZING  
AND  
OPERATING  
WOOL  
MARKETING  
POOLS**

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Farmer Cooperative Service conducts research, advises directly with cooperative leaders and others, promotes cooperative organization and developments through other Federal and State agencies, reports results of its research, and publishes News for Farmer Cooperatives and other educational material.

This work is aimed (1) to help farmers get better prices for their products and reduce operating expenses, (2) to help rural and smalltown residents use cooperatives to develop rural resources, (3) to help these cooperatives expand their services and operate more efficiently, and (4) to help all Americans understand the work of these cooperatives.

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# Contents

## Page

Analyzing the situation . . . . .	4
Organizing a pool . . . . .	7
Operating a pool . . . . .	10
Tips for effective wool pooling . . . . .	20
Definition of terms . . . . .	21

# Guidelines For Organizing And Operating Wool Marketing Pools

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Each year many small wool producers face the problem of how to market their clips to the best advantage. They frequently find it difficult to obtain a suitable price and some even have difficulty in locating an outlet.

This problem has been intensified by a decline in number of grower-producers and wool marketers. Despite this decline, wool production and marketing remains an important business for approximately one-quarter million producers in the United States. Over 80 percent of these producers market an annual clip averaging 225 pounds compared to 2 percent of the producers who market an annual clip averaging 2,250 pounds.

Many small wool producers have turned to wool pools as a convenient method of marketing their wool. These growers have found that cooperative wool pools can increase their bargaining power. By pooling their clips, these producers are able to market on the same basis as large wool producers.

A cooperative wool pool is an association formed by growers to market their wool. The association markets this wool at cost, with all financial benefits accruing to the members. The growers have jointly agreed to coordinate their resources--management, labor, and capital--for the sale.

Generally, the individual wool clips are pooled and may or may not be graded for a single sale. Wool pools are usually local in nature and are not to be confused with State or regional wool marketing cooperatives.

Although some wool pools have been operating many years, most of them have been



A recently sheared farm flock.





A typical range flock.

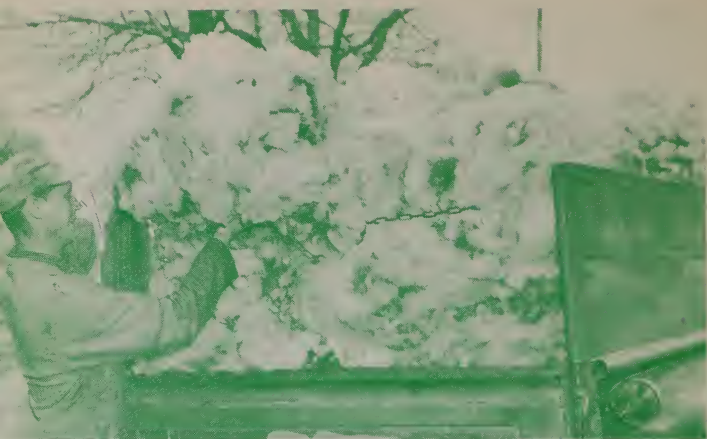
organized or reorganized since 1950. Generally these local cooperatives are in areas not served by regional wool marketing cooperatives or other wool marketers.

Because of the changes in wool marketing and wool pools, Farmer Cooperative Service initiated a nationwide study of the organization and operation of wool pools.

The study revealed about 250 pools operating in 29 States. These pools in 1961 served 36,000 growers and marketed about 12 percent of the total production in the States served. The average cooperative wool pool marketed about 67,000 pounds annually.

This volume enabled growers to increase their bargaining power and obtain better prices than those received by individual producers selling only a limited quantity of wool.

Findings of this study have been reported in General Report 127, *Wool Pools: Organization, Practices, Services, and Problems*, issued by Farmer Cooperative Service.



A small volume wool grower loading his clip for marketing.

Because of the continuing activity in wool pool marketing, this circular suggests guidelines on how to organize and operate these pools more effectively. Wool growers can use these guidelines to help analyze their wool marketing situation and then to organize and operate a pool. These suggestions can serve as a checklist for present or proposed associations. Also individuals working with producer groups should find these suggestions helpful.

## **Analyzing the Situation**

Cooperative wool pools generally are organized to increase the bargaining power of wool growers. Growers, in many areas, have lacked adequate market outlets, had little or no competitive bidding for their wool, or have found that similar wools in other areas brought higher prices. Thus, they organized a pool to improve the marketing of their clips.

In other areas, growers may find they also need to improve their marketing situation. If you are in one of these areas, you should ask certain questions: What is the wool marketing situation in your area? Is there an economic need for a cooperative wool pool? If the need justifies a pool, you should then determine what will be necessary to assure that the organization will be a successful one.

Some considerations are volume, financing, market outlets, and management.

## **Minimum Volume**

Before forming a wool pool, growers should determine that sufficient volume is available to enable it to operate efficiently and economically. Volume should be adequate to insure competition among buyers. It should also enable a pool to secure the advantage of lower transportation rates either by rail or truck. For example, a small box car will hold approximately 30,000 pounds and commands a lower rate than smaller lots. Thus, producers' intentions to market sufficient quantity through the pool should be obtained before developing other plans.

## **Sufficient Financing**

Wool pools normally do not need a great deal of financing for equipment or operations. They usually do not own storage facilities or extensive equipment. For this reason, handling charges collected at the time of sale meet most of the current expenses and,

in some cases, provide a reserve for future operations.

Grading and handling expenses are over half of all operating costs. Wool pools meet these costs by making a small charge against the grower's gross returns. Information obtained by Farmer Cooperative Service showed that this charge varies from 1 to 7 cents a pound, depending on the type of services provided and whether or not voluntary labor was used. This is usually calculated at the time the wool is sold.

The wide variation in costs of marketing wool through pools results from variations in services rendered. Minimum costs occur where wool is simply received and weighed, and checks written to growers. However, some pools grade, store, and insure wool. Higher costs are incurred and proportionately higher charges must be assessed.

Other financing requirements include pre-shearing advances to finance growers. Some pools make advances to growers through arrangements with wool buyers, banks, or other sources. This type of membership financing by cooperative wool pools is important in obtaining the loyalty of the growers.

Dues, handling fees, and capital stock are methods to obtain member financing. Other sources of financing include loans from banks for cooperatives and local banks.

## **Adequate Market Outlets**

Because of their larger volume, wool pools usually have a wider choice of mar-

ket outlets than individual wool growers. A local cooperative can market its wool through regional and national dealers, top-makers, and manufacturers. These firms have representatives who purchase wool direct from pools.

Before forming a pool, the organizing group should contact these representatives for an indication of interest. The names of these firms and their representatives can be obtained from your local or State extension personnel.

## **Effective Management**

Wool pools can be effectively managed by the members along with some help from outside sources. The board of directors, officers, and the sales committee will provide this management. Outside assistance, if needed, usually can be obtained from local and State extension personnel, State and regional wool marketing cooperatives, and other wool marketers.

Pool management includes the direction and coordination of the organization's activities. Here are some key areas to consider: Coordinating the various phases of assembling, handling, and selling wool; obtaining the active support of members through a year-around membership relations program; and establishing and maintaining accurate pool records.

## **Organizing A Pool**

Let's briefly summarize our considerations up to this point in organizing a coop-



erative wool pool. We have first considered the economic need and then the prerequisites for a successful pool. If the situation warrants a cooperative wool pool in your community, what is the next step?

An interested group should begin at once to contact individual producers and discuss wool marketing with them. These prospective members should be encouraged to discuss marketing problems with their neighbors. This will help generate interest among wool growers in your area.

If there seems to be a genuine interest, the next step is to call a meeting. News releases, radio and television announcements, and personal contacts can publicize the meeting. This is the time to discuss fully the proposed wool pool--its advantages and disadvantages, constitution, bylaws, use of marketing agreements, location of facilities, how other pools function, time of sale, and what a pool could offer small wool growers in the area.



Making plans for organizing a wool pool.

At this meeting, the temporary chairman can appoint a committee to draw up the necessary organization papers--with the help of a competent attorney. In this connection they may wish to study the articles of incorporation, bylaws, and marketing agreements of existing pools, and also investigate the advantages of incorporating the pool.

After this work has been done, a second meeting should be called to complete the organization.

The results of this second meeting will determine the next step. If there is sufficient interest and evidence of support, preliminary organization of the wool pool can follow at the meeting. The chairman can appoint committees to complete initial considerations for the members. At this meeting the following steps will need to be taken:

1. Adopt articles and bylaws for your pool. Discuss those of existing pools.

2. Adopt a marketing agreement for your pool. Also, discuss those of existing pools. All members need to understand this agreement and the compliance which goes with it. Have each member sign this agreement.

3. Elect a board of directors. The number of directors and their length of term should have been specified in the articles and bylaws just adopted.

4. Elect officers from the board of directors. These will normally be a president, vice-president, secretary, and treasurer. Their duties should also be outlined in the articles and the bylaws.

5. Elect a sales committee. A complete discussion should be made concerning the importance of this group. The number should be kept small to facilitate dealings with buyers in the sale of the wool.

6. The chairman can appoint a committee to consider coordination with other area pools. This may include joint operations in grading and scheduling of sales.

7. Arrange for a time and meeting place for subsequent meetings. This will help to keep up producer interest.

## **Operating A Pool**

After the wool pool is organized, your association will need to consider the nature and extent of its marketing operation. Most pools only operate an assembly point--where they sell and ship out the member's wool. However, others provide a storage service for members' wool from shearing time to sales date and for buyers until movement to mills and other outlets.

Generally wool pools can improve their marketing efficiency by adopting and adhering to standard operating practices. These are discussed in the following sections: Assembling, preparing, grading, selling, keeping records, and obtaining active member support.

### **Assembling Wool**

The first major step in pooling operations is to collect or assemble the individual clips at one or more central points. This





Delivering the wool clip to the pool.

enables your pool to bring all clips under single management or control. Wool pools thus coordinate the actions of several groups--their members, other pools, and prospective wool buyers.

Since most wool pool marketing operations are generally completed in 2 to 3 days, your organization needs to schedule the assembly to meet the time requirements of these different groups.

A major part of this coordinating involves the scheduling of members' wool delivery. The pool should check with producers before shearing to determine the number of fleeces they will provide the pool. This permits the cooperative to obtain storage space and make other necessary marketing arrangements. After shearing, producers deliver their clips at the specified time and place.

Membership agreements are useful in this scheduling process--at the least clear-cut communications are needed to avoid confusion.

The assembly period should also be coordinated with other nearby pools. Wool pools often can share jointly some marketing tasks. For example, several wool pools can schedule grading and obtain the services of one professional grader who usually must be brought in from outside the area.

Thus, pools can grade by industry standards and generally at less cost than where each pool secures its own professional grader.

Wool buyers must also be considered in your pool's scheduling process. Since many wool buyers operate over a wide area, the pool should attempt to schedule selling dates to accommodate the largest number of potential buyers.

The pool should provide as much as possible of the following information to interested buyers: Assembly date, number of bags, approximate weight, grades, core testing, and other pertinent information. Buyers should be contacted relatively early in the season. This will permit buyers to schedule their buying trips within the territory where wool is being assembled.

## **Preparing Wool**

Good practices in preparing and handling the wool fleeces should be encouraged by the pool. Adherence to these practices increases the value of each pool member's wool. Many pools include specifications in their agreements with members and discount clips not properly prepared.

The following wool preparation steps are recommended for pool members:

1. Keep the fleeces clean and free of all straw, manure, feathers, trash, and foreign objects.

2. Use a minimum of branding paint on fleeces.

3. Remove all tags, and stained pieces from each fleece.

4. Tie fleeces with paper string.

5. Separate black, dead, burry, taggy fleeces from rest of clip.

6. Mark each sack to identify owner and type of wool.

7. Keep wool dry.

## **Grading Wool**

Less than half the local pools grade the wool received from members and sell on the basis of quality. This practice needs further attention.

Wool buyers will generally pay more for wool from pools that have consistently marketed high quality wool. Grading wool for an accurate evaluation and classification is a means of achieving these higher returns. By selling wool on a graded basis, the wool producer and the buyer can deal with wool of known characteristics. This enables the manufacturer to determine the usefulness of the wool and informs the producer of the type of wool he is selling.

By grading and testing each member's wool for yield, your pool can then pay on the basis of merit. That is, each clip is appraised individually for yield and quality. In addition, grading provides a means for improving the reputation of the pool. The grading of each member's wool will help



A closeup view of the wool as it is checked by a wool grader for the general fiber characteristics, fineness, length, and the like.

him improve his clip over the years and in turn the overall quality of the pool.

A wool pool should consider grading its wool by standards commonly accepted in the wool trade. Professional graders are required for this type of grading. Since this grading service will increase the operating cost, a pool should consider coordinating it with other pools to lower traveling expenses. One grader could provide this service for many area pools.

A second means of obtaining professional grading service may be through other marketing agencies. These are generally wool dealers. In this case, the pool would usually consign the wool to a reputable dealer for grading and for later sale.

If professional grading is not feasible,

a pool can improve the quality of its wool by using one or more of the following suggestions:

1. Classify and core test the pool for grades and yields initially. This gives the pool a basis on which to market its wool.
2. Use specifications and discounts to encourage better wool preparation.
3. Use a rough grading procedure such as separating off wools.
4. Utilize the educational services of extension service to improve your grading and testing procedure.

## **Selling Wool**

Your wool pool can choose any of several methods for marketing wool. These include sealed bids, private negotiation, and consignment to another marketing agency. Let's examine some of these methods.

In selling wool, a pool can negotiate directly with buyers or consign to a marketing agency. Most pools deal directly with the wool buyers and sell their wool outright. This permits them to obtain a quick cash settlement for their members.

Other pools consign their wool directly to other marketing agencies. These are usually wool dealers (regional wool cooperatives and private dealers) who can offer marketing services which may not otherwise be available to your pool. These include such services as year-around storage, grading, and selling. The use of these services may offer marketing flexibility to your pool. For example, the wool can be consigned and sold later--possibly for a better price.



A local pool can sell its wool independently, or coordinate the sale with other pools and ask buyers to bid on the total volume. Over half the pools sell their wool on an individual basis. These pools schedule their own assembly and handling operations and contact the buyers for the wool sale.

However, local associations in several fleece States coordinate their sales. This helps to increase their bargaining power. A wool pool now selling on an independent basis should consider the possibility of coordinating its sales with other nearby pools.

In any sales methods, a pool may use sealed bids or private negotiation. Most pools use the sealed bid method. Buyers are asked to submit bids in person or by proxy. This method permits the pool to evaluate several bids at one time. The private negotiation method used by some pools re-



Loading wool for shipment to the buyer.

quires a much more detailed knowledge of the market.

A pool can sell its wool by forward contract or on a spot basis. This simply means that buyers may submit bids on wool that is available for examination or for later delivery. A large number of pools sell their wool prior to assembly even though it is generally recognized that wool could be sold more on a merit basis if it was assembled and graded before the sale.

In handling wool for sale, most pools rent facilities. This permits them to receive, weigh, and rebag if necessary. From here the wool is sold and loaded onto trucks or box cars for the buyer.

In addition to selecting the most effective sales methods, a pool needs to consider the terms of sale. These may include: (1) Selling wool on an f.o.b. basis; (2) buyer taking all wool offered; (3) requiring an escrow deposit from the buyer; and (4) listing specified off-wool discounts.

Since the prospective buyer is bidding on the wool with specified terms of sale, it is important that the pool list such terms on its bid sheet.

This practice permits your pool to receive all bids on the same basis. A pool should use a standard bid sheet and sales contract for a more accurate evaluation of all bids.

## **Keeping Records**

In handling and selling wool, numerous transactions must be recorded. A wool pool requires these records for several reasons: Making financial settlements with members,



A wool bag is marked with the owner's identification, bag number, weight, and the kind of wool.

determining operating costs, and administering the overall operation of the pool.

A wool pool should maintain individual grower accounts. It can assign a lot number as each wool clip is received. It should keep the number of fleeces and weight by grades for each individual clip. These records provide the basis for paying members.

Your pool should also keep financial records. These records will enable you to analyze the costs of your marketing operation. For example, your pool may need to consider its grading costs. Would these costs be higher or lower if the wool was graded by another marketing agency? Good financial records will help you to answer questions like this.

A good set of administrative records is essential for your pool. These records should



include a membership list, names of potential members, and prospective wool buyers. This will enable the pool management to do its job more effectively.

## **Obtaining Active Member Support**

In order to market wool efficiently, a pool needs a stable membership. This means that your cooperative must have a high level of participation by members marketing through the pool each year. Also, the pool needs the active support of members in contributing labor and services required to operate the cooperative. This keeps marketing costs low and increases the net returns of pool members.

How do pools get and keep this type of membership support? A wool pool needs to continually develop the interest of members through a communications and educational process. Pools should hold annual meetings to elect officers, notify members of pooling dates, and discuss other association business.



Annual meeting of wool pool.

Also newsletters that provide marketing and production information can be used to inform members. This method can be supplemented by individual contacts and by providing articles of interest for industry and other farm publications reaching wool growers.

## Tips for Effective Wool Pooling

Check these tips for good wool pool marketing practices in your area.

1. Is there an economic need for your wool pool?
2. Will you have enough volume?
3. Will sufficient financing be available?
4. Can you provide effective management?
5. Are adequate market outlets available?
6. Review organizing steps mentioned earlier in this report.
7. Effective coordination of assembly is important.
8. Improve clip preparation.
9. Look at alternative selling methods.
10. Institute or improve grading and yield testing.
11. Keep records accurate.
12. Maintain active membership support.

Those who are interested in more information on wool pools and related information may request the following publications from the indicated sources:

Industrywide Program To Improve the Preparation of the Domestic Clip. Industrywide Lamb and Wool Planning Committee, 600 Crandall Building, Salt Lake City, Utah 84101.

Marketing and Preparing Montana Wool. James Drummond, J. W. Basset, and K. L. Colman. Montana Agricultural Experiment Station, Montana State University, Bozeman, Mont. 59715.

Montana Wool Pools. Circular 280. O. S. Wirak. Montana Cooperative Extension Service, Montana State University, Bozeman, Mont. 59715.

Standards for Preparing and Marketing Grease Wool for Wool Growers and Wool Pools. Mimeo. Cir. No. 212. Alexander Johnston. Wool Section, Animal Science Division, University of Wyoming, University Station P. O. Box 3354, Laramie, Wyo. 82071.

## Definition of Terms

CLIP - A general term for the wool produced by a grower or a group of growers.

CONSIGN - A sales method by which another marketing agency sells the wool for the pool.

CORE TESTING - A method of sampling bagged or baled wool for yield (percent of clean fibers by weight). Cores are removed with special tools and

tested in laboratories for percentage of clean fiber.

DISCOUNT - Amount taken off clear wool price for off-wools.

ESCROW DEPOSIT - A stated amount or a fixed percentage of the pool receipts deposited by the buyer to insure completion of the sale.

FORWARD CONTRACT - Wool sold prior to assembly for delivery on a future date.

OFF-WOOLS - Less desirable wools such as black, gray, tags, crutchings, dead, stained, burry, seedy, and chaffs.

SPOT BASIS - Wool assembled prior to sale date and sold on a current basis.

TAGS - Manure coated locks of wool.

TOPMAKERS - Firms that buy wool to make tops (a continuous untwisted strand of longer wool fiber) for sale to manufacturers.



## Other Publications Available

Wool Pools: Organization Practices, Services, and Problems. General Report 127. Dale W. Wilson.

Using Your Wool Cooperative. Educational Circular 2. R. L. Fox and Dale W. Wilson.

What Kind of Wool Do You Market? Information 16.

How Much Did Your Wool Bring? Information 15.

How To Start A Cooperative. Educational Circular 18. Irwin W. Rust.

Making Member Relations Succeed. Information 30. Irwin W. Rust.

A copy of each of these publications may be obtained upon request while a supply is available from:

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